British Columbia Securities Commission

2014/15
ANNUAL SERVICE PLAN REPORT

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Board Chair's Message and Accountability Statement

British Columbia's capital markets are unique within Canada. We have more venture companies than anywhere else in the country and, in recent years, the amount of money raised in the private placement market has surpassed that raised in the public market. Understanding our capital markets is essential to effectively protect investors and regulate both the private and public markets. We believe that a disciplined approach to regulation begins with an understanding and an analysis of issues gathered through research, consultations with market participants, and other sources of information.

With the enduring challenges facing the public venture markets, the BCSC focused on opportunities to cut costs and increase capital formation for venture companies. We revised the disclosure rules to reduce the regulatory burden for companies and give investors the information they need and want to make informed investment decisions. We also led several national projects aimed at streamlining offerings and re-engaging retail investor participation in early-stage investments. We listened to market participants who say this is critical for growing companies.

We also continued to enforce our rules vigorously through early intervention and timely action to deter securities misconduct. A strategic priority for the BCSC to disrupt manipulative trading from offshore secrecy jurisdictions produced a significant settlement agreement with a Swiss bank. This kind of initiative is integral in maintaining investor confidence in our markets.

Protecting investors from investment fraud is top of mind. That is why we continued to build on our *BeFraudAware* campaign to help British Columbians recognize, reject, and report investment fraud. This past year we used a touch of humor to bring attention to this very serious issue. The campaign utilized social media to deliver our investment fraud prevention messages to a wider audience.

The BCSC is transitioning to the Cooperative Capital Markets Regulatory System (the Cooperative System) with other Canadian jurisdictions and the federal government. It is targeted to be operational in fall 2016. While we support our government to achieve success on this project, we remain committed to effectively regulating BC's and Canada's capital markets through the important work we do with the Canadian Securities Administrators (CSA).

The BCSC's *2014/15 Annual Service Plan Report* compares the actual results to the expected results identified in the *2014/15 - 2016/17 Service Plan*. I am accountable for those results as reported.

Brenda M. Leong
Chair and Chief Executive Officer

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Purpose of the Organization

The BCSC is the independent provincial government agency responsible for regulating capital markets in British Columbia. The BCSC's enabling legislation is the *Securities Act*, RSBC 1996, c. 418. Our mission is to protect and promote the public interest by fostering:

- a securities market that is fair and warrants public confidence
- a dynamic and competitive securities industry that provides investment opportunities and access to capital

The Commission benefits the public by protecting investors and the integrity of BC's capital markets. We:

- review the disclosure that businesses raising capital must provide to investors
- review applications for registration from those that trade securities, provide advice, or manage portfolios or investment funds, to ensure they are qualified, ethical, and solvent
- take action against those who contravene securities laws
- educate investors to protect themselves and industry participants to understand how to comply with securities law requirements

Strategic Direction and Context

Strategic Direction

The provincial government set out the following specific expectations of the BCSC in the 2014/15 Government's Letter of Expectations (GLE):

- Work with other provinces and territories to strengthen investor protection and the Canadian regulatory framework
- Make best efforts to streamline, simplify, and harmonize securities laws with other provinces and territories
- Assist the Minister of Finance in fulfilling his mandate to pursue the Cooperative System so that it protects British Columbia's interests and ensures British Columbia's securities industry is not negatively impacted by a new regime
- Provide the Executive Financial Officer of the Ministry of Finance with regular quarterly updates on the BCSC's financial position and operating results
- Comply with the government's requirements to be carbon neutral under the *Greenhouse Gas Reduction Targets Act*

Under an addendum letter relating to the 2014/15 Taxpayer Accountability Principles (TAP), the government set out seven additional expectations, including ensuring that the BCSC Code of Conduct complies with TAP, and providing training to board members about TAP requirements.

Strategic Context

Transition to a Cooperative Capital Markets Regulatory System

In September 2013, the Minister of Finance of BC agreed in principle to establish the Cooperative System with the ministers of Finance for Ontario and Canada. Other provinces and a territory joined

subsequently. Since then, these governments have been working collaboratively to develop draft legislation, as well as a Memorandum of Agreement (MOA). The launch date is Fall 2016.

Under the MOA, the cooperative securities regulator will administer a uniform securities act and a complementary federal act, and be accountable to a Council of Ministers representing participating jurisdictions.

The BCSC will continue to provide expertise and Commission resources to effectively support the transition to the Cooperative System. At the same time, we are also working cooperatively within the CSA.

In addition to supporting the transition to the Cooperative System and ongoing CSA initiatives, our strategies for fiscal 2014/15 focused on the following three priorities:

- Find opportunities to reduce the cost of regulation for venture companies
- Reduce the risk of non-compliance in the private placement market
- Reduce the risk of market misconduct associated with offshore secrecy jurisdictions

Report on Performance

The BCSC continued to work with the CSA on various regulatory initiatives, including those related to Canada's G-20 commitments. This work contributed to strengthening investor protection and the Canadian regulatory framework as well as streamlining, simplifying, and harmonizing securities laws with other provinces and territories. As noted earlier, the BCSC provided expertise and resources to support the government's Cooperative System initiative. The BCSC also provided regular quarterly updates on the BCSC's financial position and operating results. Finally, the BCSC complied with the requirement to be carbon neutral under the *Greenhouse Gas Reduction Targets Act*.

The Commission adopted TAP, including the requirements for board discussion of, and BCSC compliance with, TAP. The BCSC code of conduct complies with TAP. The BCSC is committed to working with the Ministry to develop an Evaluation Plan and a Strategic Engagement Plan to monitor and ensure effective communication of our performance in relation to the Mandate Letter and TAP.

Benchmarks: The measures included in this Report are not tracked consistently across other CSA jurisdictions so we do not have benchmark comparisons that help gauge our relative performance to our peers.

Goals, Strategies, Measures, and Targets

We selected goals that, together, cover the key ways the BCSC delivers on its mandate.

- **Goal 1 - Promote a culture of compliance**

Goal 1 covers our oversight of market participants who are subject to the *Securities Act*. We selected this goal because having an industry that takes its compliance responsibilities seriously and is held accountable for its compliance obligations strengthens investor protection, as required under the GLE.

- **Goal 2 - Act decisively against misconduct**

Goal 2 focuses on our enforcement of the *Securities Act* when people intentionally ignore the law through fraud or other acts, or when market participants do not comply with its requirements. We selected this goal because enforcement actions strengthen investor protection, as required under the GLE.

- **Goal 3 - Educate investors**

Goal 3 focuses on the work we do educating investors. We selected this goal because providing information and tools that investors can use to protect their financial interests strengthens investor protection, as required under the GLE. We believe that the securities markets function better when retail investors understand their opportunities and rights. Our *BeFraudAware* program expands this education to help investors recognize, reject, and report investment fraud.

- **Goal 4 - Advance cost-effective regulation**

Goal 4 reinforces the work we do to deliver the greatest investor protection and market integrity benefits for the least cost. We selected this goal to focus on streamlining and simplifying securities laws, as required under the GLE. Goal 4 captures our disciplined, outcomes-based approach to dealing with market issues in regulation and our rigorous oversight of how we spend the fees we collect from industry.

Goal 1: Promote a culture of compliance

Investors are better protected if securities firms and companies that issue securities understand and comply with their regulatory obligations. They must have effective systems and controls in place to ensure compliance with our rules. We intervene to correct non-compliance when warranted.

Strategies

- **Strategy 1.1: Modernize our approach to capital raising exemptions**
  - During fiscal 2014/15, the BCSC led a CSA project to update the national accredited investor and minimum amount exemptions. Individuals must now sign a risk acknowledgement form confirming they have the income or financial assets to qualify as accredited investors. In addition, companies can no longer use the minimum amount exemption to sell to individuals. These adjustments stem from our capital raising research and enforcement experience. We found that individuals investing under the accredited investor exemption did not know whether they qualified as accredited investors. We also found that when given a choice, individual investors typically invested far less than the minimum amount ($150,000). This suggested that the minimum amount exemption may have been causing individual investors to over-concentrate their investments in single companies.
  - In November 2014, the CSA published for comment proposed amendments to its rights offering regime. The BCSC led this project to significantly reduce the time and cost necessary to complete a rights offering. The comment period closed in February 2015 and we are working with our CSA colleagues to adopt the amendments by the end of calendar 2015.

- The BCSC also worked with other CSA jurisdictions to develop an equity crowd funding exemption, which we adopted after the end of the 2014/15 fiscal year.

- **Strategy 1.2: Real estate investments**
  - Early in fiscal 2014/15, we prepared a draft Offering Memorandum form designed to provide more tailored disclosure for investors in real estate and mortgage products. The BCSC subsequently deferred this strategy to free up resources for the Cooperative System project.

Performance Measure 1.1: Percentage of reviewed companies that reduce deficiencies in their continuous disclosure

Our Corporate Finance division reviews company disclosure for non-compliance. At the end of each fiscal year, we retain an independent consultant to analyze the subsequent continuous disclosure of a statistically significant random sample of companies that received comment letters from us during that year. The results of this review show the extent to which our detailed continuous disclosure review work motivated non-compliant companies to improve their disclosure.

Status: Met	Results and targets						
Performance measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2014/15 Actual[1]	2015/16 Target	2016/17 Target
Percentage of reviewed companies that improved disclosure subsequent to continuous disclosure review	100%	100%	100%	> 95%	100%	> 95%	> 95%
Percentage of reviewed companies that improved disclosure to minimum standards	100%	100%	100%	> 95%	100%	> 95%[2]	> 95%

Data Source: **Independent evaluation against criteria set by BCSC staff and, set out in a report**

[1] *All 16 companies reviewed in fiscal 2014/15 improved their disclosure in some areas to meet the minimum standard for compliance.*

[2] *The target for the second measurement for fiscal years 2014/15 through 2016/17 was to improve year-over-year. Since we achieved 100% compliance again in fiscal 2014/15, further improvement is not possible. We have set the forward targets at greater than 95%.*

Discussion

- This measurement always lags by one year because we have to wait for the next filing cycle to evaluate the year-over-year improvement.
- Overall, we set targets that are practically achievable and reflect compliant behaviour by companies. The 95% target in the first measurement reflects that only one in 20 companies

reviewed did not improve their disclosure after our review. The 95% target in the second measurement reflects a similar proportion of companies that did not improve their disclosure to minimum standards.

Performance Measure 1.2: The percentage of randomly sampled mining companies that meet the minimum standards for technical disclosure

BC is home to most Canadian mining companies. We randomly select companies from a list of BC-based mining companies and analyze whether those companies' most recent technical disclosure was compliant with NI 43-101 *Standards of Disclosure for Mineral Projects* (the National Mining Rule). This review shows the extent to which a sample of BC-based mining companies is compliant in specific areas of their technical disclosure.

Status: Met	Results and targets						
Performance measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2014/15 Actual[1]	2015/16 Target	2016/17 Target
Percentage of randomly sampled mining companies that meet minimum standards for technical disclosure in filed disclosure (Annual Information Forms, News Releases, Management Discussion and Analysis)	72%	79%	73%	Improve on 2014 actual	75%	Improve on 2015 actual	Improve on 2016 actual
Percentage of randomly sampled mining companies that meet minimum standards for technical disclosure in company websites	58%	57%	57%	62%	66%	71%	Increase average by 5% over 2016

Data Source: **Staff evaluation against criteria set by BCSC staff and recorded over the year**

[1] *Based on a survey of 40 randomly selected BC mining companies.*

Discussion

- We measure the degree to which BC mining companies meet mining disclosure standards. To determine the average score per company, staff review 20 separate disclosure requirements in the

National Mining Rule. In our view, an average score for an individual company of 67% or better across these 20 requirements indicates that the company is making a reasonable effort to comply.

- The fiscal 2014/15 results indicate compliance levels for required disclosure have remained essentially unchanged and compliance levels for voluntary disclosure have improved modestly. The latter measure may reflect that mining companies are producing less voluntary disclosure as they face difficulty in financing their exploration and development activities. Our compliance efforts appear to be sufficient to maintain current levels of compliance but do not appear to be a catalyst for significant improvement. We plan to focus on identifying more cases for enforcement action.

Performance Measure 1.3: Average number of deficiencies per examination in Capital Markets Regulation

Our Capital Markets Regulation division reviews securities firms that are not members of a self-regulatory organization for compliance with their regulatory obligations. Using various indicators of risk, we risk rate our firms so that we can determine how frequently and how closely to examine their compliance.

Status: Not Met	Results and targets						
Performance measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2014/15 Actual	2015/16 Target	2016/17 Target
Average number of deficiencies per examination in Capital Markets Regulation	5.59	4.16	3.94	3.74	4.64	4.18	Decrease deficiency average by 5% over 2016

Data Source: **Data entered manually into management reporting files based on examination deficiency letters**

Discussion

- Examinations exclude for-cause exams.
- The target is set to decrease these percentages as a sign of increased industry compliance. A 5% year-over-year reduction is an ambitious target because of the large number of newly registered businesses.
- The average number of deficiencies per examination in fiscal 2014/15 is distorted by the unusually high number of deficiencies found in our compliance reviews this year. In particular, among dealer firms, three quarters of all the dealer firms examined were new registrants undergoing their first compliance review, with more deficiencies than are usual for established firms.

Goal 2: Act decisively against misconduct

We aim to achieve timely enforcement through early intervention and the pursuit of cases that will deter future misconduct. The BCSC cooperates with securities regulators in other jurisdictions to share information, conduct investigations, and issue reciprocal enforcement orders. We also aggressively pursue securities misconduct through administrative and criminal proceedings. Under administrative proceedings, the BCSC can impose monetary sanctions and order people out of the market. We work closely with Crown Counsel to pursue criminal charges, where warranted. Criminal

convictions allow for penalties to be imposed, including prison sentences, that help deter serious misconduct.

Strategies

- **Strategy 2.1: Disrupt manipulative trading from off-shore secrecy jurisdictions**
  - During fiscal 2014/15, the BCSC reached a settlement with Bank Gutenberg, a Swiss bank that agreed to a permanent ban from BC's capital markets and paid $850,000. Bank Gutenberg also subsequently surrendered its Swiss banking license.
  - The BCSC continues to monitor the cooperation of specific jurisdictions' responses to investigative requests for assistance. Staff will recommend further action for a jurisdiction that consistently fails to provide timely and complete access to relevant records.
  - This fiscal year, BCSC staff looked at BC-based dealers' trading activity from accounts held in off-shore jurisdictions. We wanted to understand the risk presented by accounts trading in the venture and over-the-counter markets and concluded that the BCSC's Over-the-Counter Bulletin Board conditions for dealers with BC offices were effective and should be made permanent.

Performance Measure 2.1: **Actions taken to disrupt misconduct**
This measure focuses our efforts on early detection and shows our ability to take early action to stop misconduct. We can significantly reduce harm to the public when we can identify and act quickly to disrupt misconduct. Stopping investment schemes before they start and preventing further participation in existing schemes is more effective than prosecuting them after there is damage to investors. Disruptive action provides a visible, valuable benefit to the public.

Status: Not Met	Results and targets						
Performance measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2014/15 Actual	2015/16 Target	2016/17 Target
Number of actions[1]	N/A	N/A	140[2]	154	127	140	Increase 10% over 2016
Average duration of complaint to action (in days)	93 days	73 days	72 days	65 days	72 days	65 days	Decrease average by 10% over 2016

Data Source: **Data recorded in established tracking systems**

[1] *We revised this measurement methodology in fiscal 2013/14. Therefore, we have not included measurements for prior years because they are not comparable.*

[2] *Fiscal 2013/14 should be used as a baseline as we changed the approach to measurement in fiscal 2013/14. The BCSC's Enforcement Case Management system has improved our ability to capture these actions.*

Discussion

- We track a specific number of intervention types and measure how long it took us to implement an intervention from the opening of the complaint. We measure this statistic by capturing the first disruptive action taken within one year of the case opening and the time taken to implement the disruptive action.

- Disruptive actions include:
  - temporary orders
  - freeze orders
  - production orders
  - halt trade orders
- We set our future targets to increase the number of disruptive actions as well as to reduce the average time to take action. Management believes a 10% increase in number of disruptive actions and a 10% decrease in time taken reflect achievable operational improvements.

Performance Measure 2.2: Timely resolution of enforcement cases
We want to be transparent about the average time our administrative enforcement process takes.

Status: Met	Results and targets				
Performance measure	2013/14 Baseline	2014/15 Forecast	2014/15 Actual	2015/16 Target	2016/17 Target
Average life, in months, of cases resolved via settlement or enforcement decision	15.1	22	20.3	22[1]	Set according to review

Data Source: **Data recorded in established tracking systems and official documents**
[1] *We base the 2015/16 target on current active cases. For fiscal 2015/16, our target is maintained for a variety of reasons, including complex cases, rigorous evidence handling, and delays in acquiring evidence.*

Discussion
- We measure average case duration from start to issuing a Notice of Hearing or, absent a Notice of Hearing, the Settlement Agreement.

Goal 3: Educate Investors

Our goal is to help investors protect their financial interests. We want investors to have the confidence to research and assess potential investments before they invest.

Strategies

- **Strategy 3.1: *BeFraudAware* campaign**
  - The BCSC launched its *BeFraudAware* campaign in 2011 to raise awareness of investment fraud as a stepping-stone to changing people's attitudes and beliefs about investment fraud and their own vulnerability. We want British Columbians to fraud-proof themselves by recognizing and rejecting investment fraud and to support our enforcement efforts by reporting investment fraud when they encounter or suspect it.
  - Last year, we significantly reduced television advertising spending on this campaign and moved from a mass media strategy supported by social media to a social media strategy supported by a small investment in English television and ethnic radio advertising. Among those exposed to the campaign, a majority liked and understood it, found it relevant, and said it left them more likely

to recognize fraud. In the next fiscal year, we will take a fresh look at our strategy to maintain awareness within current budget constraints.

Performance Measure 3.1: Number of complaints and tips received from InvestRight programs

Through our public awareness and outreach programs, we aim to increase the flow of complaints and information we receive about possible investment fraud or illegal activities. We track the number of referrals, tips, queries, and complaints received by BCSC Inquiries that are traceable to InvestRight investor education activity.

Status: New Baseline	Results and targets		
Performance measure	2014/15 Baseline	2015/16 Target	2016/17 Target
Number of contacts to BCSC Inquiries triggered by InvestRight activity	40[1]	42	Increase 5% over 2015/16

Data Source: **Data recorded in tracking system from inquiries via phone calls, emails, InvestRight.org, and the *BeFraudAware* mobile application**

[1] *We set a new baseline to accommodate a change in how we collect this information, which made fiscal 2014/15 results not directly comparable with those obtained in fiscal 2013/14. Therefore, we have not included measurements for prior years because they are not comparable.*

Discussion

- We set these targets according to the expectation that InvestRight education activities will generate more enforcement leads over time.

Performance Measure 3.2: Percentage of workshop participants who recall investor education warning signs or red flags

We deliver investor education workshops to BC residents, primarily seniors and pre-retirees. Our goal is to grow awareness of the warning signs of investment fraud. We have used an independent consultant to conduct a follow-up phone survey with each seminar participant who previously agreed to be contacted. To determine recall of investment fraud warning signs, the consultant contacts each person within three months and asks, "*Can you name the warnings signs of investment fraud?*"

Status: Met	Results and targets						
Performance measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2014/15 Actual	2015/16 Target	2016/17 Target
Percentage of workshop participants who recall three investor education warning sign messages (Red Flags)	19%	28%	42%	45%	47%[1]	Set new baseline	Increase 3% over 2016

Data Source: **Data stored and anylzed electronically. Data received in report format at BCSC**

[1] *A further 12% and 3% recalled four and five warning signs, respectively.*

Discussion

- We want British Columbians to fraud-proof themselves by recognizing, rejecting, and reporting investment fraud. Recognizing the warning signs of a possible scam is an important first step towards this long-term goal.
- A 3% increase in the number of workshop participants who recall the warning signs accurately reflects achievable improvement during a time of mass media advertising and the data collection method we have used to date.
- This is the last year we will report on data collected by a consultant conducting phone surveys. We now conduct an online survey that will allow us to set a new baseline in the year ahead.

Performance Measure 3.3: Percentage of BC public aware of the BCSC

We aim to build awareness of the BCSC and our many investor education resources so that British Columbians will know where to turn when faced with a possible fraud or unsuitable investment opportunity. We survey British Columbians 18 and over in keeping with the BCSC's province-wide mandate and because investment fraud can happen at any age to anyone with savings and/or other assets. The majority of our programs target retirees and pre-retirees and we focus our advertising dollars in regions where we know people have been defrauded.

Status: Not Met	Results and targets						
Performance measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2014/15 Actual	2015/16 Target	2016/17 Target
Percentage of BC public aware of BCSC[1]	35%	42%	49%	> 45%	34%[2]	> 45%	> 45%

Data Source: **Independent survey. Data received in report format at BCSC**

[1] *This measure captures aided awareness province-wide among adults 18 and over.*

[2] *While the general population of BC adults 18 and over showed 34% awareness this year, awareness was 49% among our key target audience aged 50 and older.*

Discussion

- We report on aided awareness from a phone survey among a randomly interviewed sample of BC adults 18 and over, asking the following question: "*As you may know, there is a provincial agency*

in British Columbia responsible for regulating securities investments called the BC Securities Commission. Now that we have mentioned the BC Securities Commission, how familiar would you say you are with this agency?"

- Over the next fiscal year, we will consider whether to set a new target to reflect the reduced investment in mass media advertising.

Goal 4: Advance cost-effective regulation

Our goal is to advance cost-effective regulation. Regulation imposes costs through fees, compliance costs, and restrictions on innovation. Investors inevitably pay these costs. We aim to provide strong investor protection and market integrity for the least cost.

Strategies

- **Strategy 4.1: Venture market cost of regulation research**
  - During fiscal 2014/15, the BCSC set out five options for research about the cost of regulation for venture companies and selected two research projects to complete during this fiscal year.
  - The first project consisted of finding out how much capital was raised under the new existing security holder exemption and whether it was from accredited investors or others. The purpose was to see whether companies were able to access new investors or whether the exemption just provided another means of getting money from the same investors. The results of the project showed that approximately $1.6 million was raised under this new exemption and 81% of it was from non-accredited investors.
  - We also surveyed market participants to find out if there were unanticipated barriers to using the new existing security holder exemption. We sent an online survey to approximately 900 venture companies asking them if they had heard of the new exemption and, if so, whether it helped them to raise capital. Survey results showed three primary reasons that companies were not using the exemption: difficult financing conditions, the Ontario Securities Commission had not adopted the exemption at that time, and the $15,000 cap per individual investor. Ontario adopted the existing security holder exemption in February 2015. Going forward, we hope to educate companies about the fact that the $15,000 cap can be exceeded if the investor receives advice from a registered adviser.
  - For the second project, the BCSC wanted to study the reasons why public companies choose to become private; are the costs of being a public company starting to outweigh the benefits? Given the small number of companies with ongoing businesses that became private during the period, we determined that a survey would not provide meaningful results.
- **Strategy 4.2: Research on venture trading strategies**
  - During fiscal 2014/15, BCSC staff designed and implemented a research project focused on short selling and high-frequency trading in the venture market. We expect to complete the study early in the next fiscal year.
- **Strategy 4.3: CSA national filing forms and systems redesign**

- By mid-year of fiscal 2014/15, the BCSC together with other CSA jurisdictions finalized and posted a request for proposal for the redevelopment of CSA's national filing systems, including SEDAR, SEDI, and NRD. Several bids were received and are being evaluated.
- During the fiscal year, the BCSC led the implementation of CSA data management guidelines for policy development. The guidelines, now part of the CSA project management toolkit, formalize policymaking consideration of a host of important data gathering and management issues.
- The BCSC also actively participated in a CSA initiative to harmonize the exempt distribution report.

Performance Measure 4.1: Average score on cost-effective regulation scorecard
To measure cost-effective regulation, we use a scorecard that tracks the important steps and outcomes in responding to market problems.

Status: Met	Results and targets						
Performance measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2014/15 Actual	2015/16 Target	2016/17 Target
Average score on cost-effective regulation scorecard	90.6%	93%	95%	> 90%	97%[1]	> 90%	> 90%

Data Source: **Internal evaluation based on staff and management judgment and project documents**
[1] *In fiscal 2014/15, we had five policy projects that qualified for review, none of which was a BC-only initiative.*

Discussion
- We report the average score of all the projects completed each year. This analysis does not include rules that we adopt purely to harmonize with other jurisdictions or where we are fully reliant.
- The target of greater than 90% is set so that, on average, we achieve our objectives if we hit the standards on the scorecard in all but one area.

Performance Measure 4.2: Average approved project post-implementation score
We assess each local Information Technology (IT)-enabled project at a predetermined time after the project's completion (as documented in the project proposal) and score the project's success relative to its proposed benefits.

Status: Met	Results and targets						
Performance measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2014/15 Actual	2015/16 Target	2016/17 Target
Average approved project post-implementation score	100%	93%	90%	> 80%	88%[1]	> 80%	> 80%

Data Source: **Internal accounting systems, internal asset management systems, and internal evaluation based on staff and management judgment and documented results**

[1] *In fiscal 2014/15, we assessed two projects.*

Discussion

- Our objective is that our IT-enabled projects will be well executed. We recognize that there will frequently be issues from which we can learn.
- We consider an 80% post-implementation score as evidence of a successful and well-run project.

Management Discussion & Analysis

For the Year Ended March 31, 2015

We prepared this discussion and analysis of financial position and results of operations of the British Columbia Securities Commission (BCSC) on May 7, 2015. Read it in conjunction with our audited financial statements for the year ended March 31, 2015.

We prepared the financial information in this report in accordance with Canadian public sector accounting standards. We report in Canadian dollars. We round totals and percentages. Year references are to fiscal years ending March 31.

Management Discussion & Analysis
For the Year Ended March 31, 2015

Financial Highlights

BCSC is the provincial crown corporation responsible for regulating BC capital market activity. Effective April 2, 2013, results include 25% of a government partnership (Partnership) that operates certain national electronic filing and payment systems. We refer to all other operating results as local (Local).

(millions)	Actual 2014	Budget 2015	Actual 2015	Positive (negative) vs Budget	Positive (negative) vs 2014
Revenue					
Local filing fees					
Prospectus and other distributions	$ 20.9	$ 20.9	$ 20.5	$ (0.4)	$ (0.4)
Registration	11.1	11.0	11.4	0.4	0.2
Financial filings	5.0	4.7	4.8	0.1	(0.2)
Other fees	0.2	0.1	0.2	0.1	–
	$ 37.2	$ 36.7	$ 36.9	$ 0.1	$ (0.3)
Other revenue					
National filing systems revenues	$ 12.9	$ 6.3	$ 6.8	$ 0.5	$ (6.1)
Enforcement sanctions	0.7	0.5	1.0	0.5	0.3
Investment income	0.7	0.8	0.8	–	0.1
Total revenue	$ 51.4	$ 44.3	$ 45.4	$ 1.1	$ (6.0)
Expenses					
Salaries and benefits	$ 28.8	$ 29.8	$ 30.8	$ (1.1)	$ (2.0)
Other expenses	12.0	13.7	11.0	2.7	1.1
National filing systems expenses	6.5	2.6	3.5	(0.9)	3.0
National filing systems transition costs	1.1	–	–	–	1.1
Total expenses	$ 48.5	$ 46.0	$ 45.3	$ (0.7)	$ 3.2
Surplus (deficit) before special item	$ 2.9	$ (1.7)	$ 0.1	$ 1.8	$ (2.8)
Surplus on recognition of partnership	23.7	–	–	–	(23.7)
Surplus (deficit)	$ 26.6	$ (1.7)	$ 0.1	$ 1.8	$ (26.5)
SUPPLEMENTARY INFORMATION					
Unrestricted surplus	$ 28.8	$ 23.0	$ 26.0	$ 2.9	$ (2.8)
Restricted surplus	28.9	31.2	32.2	1.0	3.3
Local capital expenditures	5.2	3.5	2.9	0.6	2.3
Partnership capital expenditures	0.2	–	0.2	(0.2)	–
Debt	–	–	–	–	–

Management Discussion & Analysis
For the Year Ended March 31, 2015

Consolidated results were $0.1 million, $1.8 million above budget, with positive Local variances partially offset by lower than expected national filing systems results. Results were $26.5 million lower than the prior year because the prior year included a one-time recognition of the Partnership's opening surplus into income.

Capital spending varies annually. Significant fiscal 2015 capital projects were office changes to improve security and staff productivity, public website and intranet replacements, moving our data centre offsite, and analysis tools to give staff greater access to market information.

We remain financially strong, ending the year with $25.8 million in Local cash and investments, sufficient to maintain regulatory operations through a protracted market downturn.

Revenues

Most Local funding is from distribution, registration, and financial filing fees paid by market participants under the *Securities Act*. The remainder of the Local revenue streams are investment income and enforcement sanctions.

Partnership revenue is mostly from fees paid by market participants to use the national filing systems. The rest of Partnership revenue is investment income and data dissemination fees.

The following table details the proportion of total revenue by source and year:

Revenue source/Year	Proportion of total revenue by source and year (excludes surplus on recognition of partnership)				
	2011	2012	2013	2014	2015
Distributions	51%	52%	49%	41%	45%
Financial filings	14%	13%	13%	10%	11%
Interest	3%	4%	5%	1%	2%
Other	1%	0%	0%	0%	0%
Partnership	0%	0%	0%	25%	15%
Registrations	30%	30%	30%	22%	25%
Sanctions	1%	1%	3%	1%	2%
Total	100%	100%	100%	100%	100%

Management Discussion & Analysis

For the Year Ended March 31, 2015

Local fee revenue

We collect the following fees:

- *Distribution fees,* from public companies, private companies, and mutual funds, to file disclosure documents, which can include fees related to the amount, called proceeds, of the offering
- *Registration fees,* from firms and individuals, to register with us to sell or advise on securities
- *Financial filings fees,* from public companies and mutual funds, to file annual and interim financial statements
- *Other fees,* from market participants, primarily to request *Securities Act* exemptions

Capital markets activity can be volatile. We designed our fee model to generate sufficient revenue to fund our operations through market cycles, so that our regulatory capacity is not compromised during a sustained downturn. We may generate surpluses during high points in the market's cycle, and deficits during low points.

The two most significant sources of fees are those paid by mutual funds to distribute securities and file financial statements, and those paid by the five largest Canadian banks to register their representatives.

Enforcement sanctions

We order respondents to pay to us administrative penalties and money obtained by contravening the *Securities Act (161 (1) (g) payments)*. We also negotiate settlements, which include monetary sanctions. We recognize administrative penalties and settlements that are collectible, and unclaimed 161 (1) (g) payments, as revenue and appropriate these revenues to our education reserve, an internally restricted fund. Enforcement sanctions vary significantly between periods.

Collecting sanctions is difficult. Respondents often have limited assets, have poor credit, or have left BC. We have collected less than 5% of the amount sanctioned since our incorporation on April 1, 1995. We pursue outstanding amounts vigorously. However, of the $340 million outstanding, only $0.3 million is likely collectible and accrued in our financial statements. About 80% ($276 million) of the outstanding sanctions relates to ten cases. About 30% ($107 million) of the outstanding sanctions relates to section 161 (1) (g) orders to pay amounts obtained by contravening the *Securities Act*.

We spend education reserve funds only to educate securities market participants and the public about investing, financial matters, and the operation and regulation of securities markets.

Management Discussion & Analysis
For the Year Ended March 31, 2015

Investment income
Our prime investment objectives for surplus funds are capital preservation and sufficient liquidity so we can meet our expenditure commitments. We invest in liquid, high quality, money market instruments; government securities; and investment-grade corporate debt securities.

Local revenue analysis

Revenues were $0.6 million (2%) above budget. Higher mutual fund (MF), sanction, and registration revenues offset lower exempt distribution (EDER), and annual information form (AIF) fees.

Distribution revenue was $0.4 million (2%) below budget. Lower AIF filing fees from a modest contraction in the issuer population and $0.9 million (20%) lower exempt distribution proceeds from private issuers raising less capital, were only partly offset by $0.9 million (20%) higher MF proceeds fees from continued strong growth in mutual fund gross sales.

Registration revenues were $0.4 million (3%) above budget. We budgeted for a modest contraction but experienced modest growth.

Sanction revenues were $0.5 million (105%) higher than expected.

	2015 versus Budget				2015 versus 2014			
(thousands)	2015	Budget	Variance	%	2015	2014	Variance	%
Local revenues								
Distribution	$ 20,519	$ 20,900	$ (381)	-2%	$ 20,519	$ 20,900	$ (381)	-2%
Registration	11,384	11,000	384	3%	11,384	11,150	234	2%
Financial filings	4,764	4,700	64	1%	4,764	4,969	(205)	-4%
Exemptions and other	190	120	70	58%	190	172	18	10%
Sanctions	1,027	500	527	105%	1,027	677	350	52%
Investment income	764	800	(36)	-5%	764	655	109	17%
	$ 38,648	$ 38,020	$ 628	2%	$ 38,648	$ 38,522	$ 126	0%

Revenues were $0.1 million (nil%) higher versus 2014 with higher sanction receipts, registration revenues and MF proceeds fees, mostly offset by lower EDER proceeds fees, and lower financial statement and AIF filing fees.

Expenses

Salaries, benefits, and occupancy costs account for about 80% of Local expenses. As described elsewhere in this annual report, we focus our effort on four goals:

1. Promoting a culture of compliance
2. Acting decisively against misconduct
3. Educating investors
4. Advancing cost-effective regulation

We are committed to managing Local expenses so they do not exceed expected Local revenue over market cycles. We do this by preparing an annual budget approved by the Board, monthly budget variance reporting to management and requiring Board approval of significant expense variances.

Most Partnership expenses are fees paid to the contracted IT service provider, and the salaries and benefits of Partnership employees.

Local and Partnership operations are exempt from income taxes. Locally, we pay PST (7%) and GST (5%) on taxable purchases, but recover the GST. Partnership fees are HST-exempt and the Partnership pays recoverable HST on taxable purchases.

Local salaries and benefits
Employee salaries and benefits account for over 70% of Local expenses. We compete for professional staff with law and accounting firms, the securities industry, and other regulators. Like most of our competitors, our compensation package includes performance-based salary increases. To remain competitive, we conduct periodic salary surveys and make adjustments as appropriate. Throughout the public sector, government has frozen executive and management salaries.

Local occupancy costs
We run Local operations from a downtown Vancouver office to be close to the reporting issuers and registrants that we regulate. Our 61,000 square feet of space cost us about $50 per square foot for 2015, under a lease that expires in November 2021.

Local professional services
We engage consultants when outsourcing is more cost-effective than performing the work ourselves. Fiscal 2015 professional service costs related primarily to the following:
- Public website and intranet replacement
- Legal services
- Fees paid to IIROC for registration services delegated to them
- Our share of CSA project and management costs
- Legislative counsel services
- Interview and hearing transcription services
- Data entry services
- Internal and external audit services

Local education
We educate securities market participants and the public about financial literacy, investment fraud, and the operation and regulation of securities markets. Fiscal 2015 education spending related primarily to the continuation of the *BeFraudAware* investor education campaign aimed at protecting BC investors province-wide from investment fraud.

Local depreciation and capital spending
Our Local capital spending and related depreciation relate primarily to computer systems and applications.

Local information management
We spend on information systems and management to improve access to our services and information, to increase our capacity to monitor and analyze market activity, and to increase the efficiency of our processes. Information management has three main components:
- Software licensing and maintenance fees
- Electronic information services and hardcopy materials
- Physical record scanning and storage costs

Local expense analysis

Expenses were $1.6 million (4%) below budget primarily due to lower professional fees and depreciation and other operating expenses, partly offset by higher salary costs.

Professional fees were $2.0 million (51%) lower than budget. We budgeted to pay professional costs related to the government's Cooperative System initiative. The Canadian Securities Transition Office (CSTO) paid such costs directly. We also deferred some project spending.

Management Discussion & Analysis

For the Year Ended March 31, 2015

Depreciation was $0.3 million (12%) lower than budget due to the timing of projects.

Salaries were $1.0 million (4%) higher than budget. We capitalized less staff effort due to deferring BCSC projects to support the Cooperative System initiative.

Other operating expenses, comprised of administration, telecommunications, business travel, training and external communications, were each modestly under budget due to cost controls, generating a $0.3 million (18%) positive variance.

	2015 versus Budget				2015 versus 2014			
(thousands)	2015	Budget	Variance	%	2015	2014	Variance	%
Local expenses								
Salaries	$ 30,821	$ 29,750	$ (1,071)	-4%	$ 30,821	$ 28,817	$ (2,004)	-7%
Professional services	1,955	3,950	1,995	51%	1,955	2,378	423	18%
Occupancy	3,046	3,040	(6)	0%	3,046	3,066	20	1%
Depreciation	2,394	2,725	331	12%	2,394	1,447	(947)	-65%
Information management	1,313	1,290	(23)	-2%	1,313	1,163	(150)	-13%
Education	728	800	72	9%	728	2,168	1,440	66%
Other	1,533	1,865	332	18%	1,533	1,826	293	16%
	$ 41,788	$ 43,420	$ 1,632	4%	$ 41,788	$ 40,866	$ (922)	-2%

Expenses increased $0.9 million (2%) from 2014 primarily due to higher salary and depreciation expenses partially offset by lower education disbursements and professional fees.

Salaries expense increased $2.0 million (7%). We capitalized $1.3 million less staff effort, as explained above. In addition, non-management staff received average 3% merit increases, costing $0.6 million, effective April 1, 2014.

Depreciation was $0.9 million (65%) higher due to increased capital spending in prior fiscal years.

Education disbursements were $1.4 million (66%) lower. We reduced spending on our Be Fraud Aware investor education campaign.

Professional services expenses fell $0.4 million (18%), as explained above.

Management Discussion & Analysis
For the Year Ended March 31, 2015

National filing systems partnership

Effective April 2, 2013, the BCSC, together with the Alberta Securities Commission, Ontario Securities Commission, and the l'Autorité des marchés financiers (collectively, the Principal Administrators or PAs), agreed to govern certain national electronic filing and payment systems on behalf of the Canadian Securities Administrators. Under the arrangements, each of the four PAs has one vote on national electronic filing systems matters. This arrangement is a government partnership, and resulted in our proportionate consolidation of twenty-five percent of national filing systems assets and operations effective April 2, 2013.

Partnership operations *(millions)*	Actual 2014	Budget 2015	Actual 2015	Positive (negative) vs Budget	Positive (negative) vs 2014
Operations					
National filing systems revenues	$ 12.9	$ 6.3	$ 6.8	$ 0.5	$ (6.1)
National filing systems expenses	(6.5)	(2.6)	(3.5)	(0.9)	3.0
National filing systems transition costs	(1.1)	–	–	–	1.1
Surplus (deficit) before special item	$ 5.2	$ 3.7	$ 3.3	$ (0.4)	$ (1.9)
Surplus on recognition of partnership	23.7	–	–	–	(23.7)
Surplus (deficit)	$ 28.9	$ 3.7	$ 3.3	$ (0.4)	$ (25.6)

Partnership results for the year were $0.4 million (-11%) below budget. Preliminary design costs to plan new systems were higher than expected.

Results fell $25.6 million (-89%) because fiscal 2014 included a one-time recognition of the Partnership's opening surplus into income.

Financial position and liquidity

Use of financial instruments

Local and Partnership operations do not use or invest in complex or higher risk financial instruments, so we do not face significant credit or material market risk. Liquidity risk is also low because our investments are in demand deposits and redeemable, pooled fund units.

Management Discussion & Analysis

For the Year Ended March 31, 2015

Our Local pooled fund investments expose us to interest rate risk because their fair value fluctuates with interest rate changes. An immediate 1% interest rate increase would decrease our investment portfolio value by about $1.3 million. However, we expect rates to increase slowly, if at all, over the coming year, and rate increases would also increase future investment income. We manage interest rate risk by monitoring portfolio duration and yields with the fund administrator, bcIMC. The current investment duration of the ST2 Fund is 0.3 years and of the Canadian Universe Bond Fund is 7.8 years.

Consolidated liquidity

Cash flow for the period was negative $20.6 million (fiscal 2014 – positive $13.0 million). Negative cash flows were due to $18.5 million net purchases of investments and $3.1 million of capital asset acquisitions partly offset by a $1.1 million cash inflow provided by operations.

Our fee model may result in surpluses and deficits over the market cycle because revenues fluctuate while our costs are mainly fixed. We have sufficient liquidity and capital resources to fund operations through a sustained market downturn. We ended the year with $13.1 million (March 31, 2014 – $33.6 million) in cash.

Consolidated assets

Amounts receivable decreased $0.2 million to $1.1 million (March 31, 2014 – $1.4 million). Partnership receivables relate primarily to systems usage fees. Receivables relate primarily to collectible sanctions, GST/HST receivables, national project recoveries, and administrative support cost recoveries due from the CSTO.

Capital assets increased $0.7 million to $11.1 million, net of $2.5 million depreciation. Local capital spending related primarily to IT and office improvements, and totalled $2.9 million for the year, as follows:

Project	($ millions)
Public website and intranet replacements	$ 0.7
Office renovations	0.7
End user information analysis tools	0.4
Data centre move	0.2
IT security improvements	0.1
Planning 10 website redesign	0.1
Other	0.7
	$ 2.9

Management Discussion & Analysis
For the Year Ended March 31, 2015

Prepaid expenses increased $0.1 million to $0.9 million (March 31, 2014 – $0.8 million). Prepaid expenses relate primarily to prepaid software licenses and registration processing fees paid in advance.

We ended the year with a $58.5 million surplus (March 31, 2014 – $58.3 million).

Consolidated liabilities
Accounts payable decreased $1.3 million to $1.7 million (March 31, 2014 – $3.0 million), reflecting Partnership payables totaling $0.4 million and Local payables of $1.3 million.

Accrued salaries increased $0.3 million to $1.0 million (March 31, 2014 – $0.7 million).

Deferred revenue increased $0.2 million to $7.9 million (March 31, 2014 – $7.7 million) because registration volumes grew modestly. Deferred revenue is calendar year registration fees received in advance and amortized to income over the calendar year to which they relate.

Local contractual obligations
Our significant Local contractual obligations at March 31, 2015 relate to our office lease and multi-function devices. Our commitments under those contracts total approximately $21.6 million (March 31, 2014 – $24.6 million), as follows:

	2016	2017-2018	2019-2020	2021-2022	Total
Leased space and equipment	$ 3,094,762	$ 6,330,692	$ 6,525,862	$ 5,644,808	$ 21,596,123

Internal control over financial reporting (ICFR)

During the year, we reviewed our ICFR processes and updated documentation where necessary. Our internal auditors tested operating effectiveness of our ICFR as at March 31, 2015 and concluded that the ICFR was operating effectively and that there are no material weaknesses.

There have been no changes that occurred during the most recent year ended March 31, 2015, that have materially affected, or are reasonably likely to materially affect, our ICFR.

Management Discussion & Analysis
For the Year Ended March 31, 2015

Risk management

Risk management approach

We practice enterprise risk management (ERM) to identify and manage our risks. We follow an Australian risk management standard (AS/NZS 4360:2004, or AS 4360). Our ERM process updates the Board on key risks and supports our strategic planning process. We maintain a business continuity plan and can restore critical functions within four hours.

Local fee revenue

We fund operations primarily from fees paid by market participants. Revenue fluctuates with market activity, rising in strong market conditions and falling in weak market conditions. We have sufficient liquidity and capital to fund operations through a sustained market downturn.

Partnership revenue

The Partnership funds operations primarily from fees paid by market participants. Market volatility does not significantly affect fees. In addition, the Partnership has an accumulated surplus sufficient to fund operations through a sustained period of no or low usage fees.

Reliance on CGI

Under an agreement with CGI Information Systems and Management Consultants Inc. (CGI) that ends on January 13, 2019, CGI operates several national electronic filing systems through which we collect most of our fee revenue. CGI maintains a comprehensive business continuity plan for these systems.

Selected annual information and financial outlook

The table below summarizes actual results for the last five years and our approved fiscal 2016 budget. The budget is as of the date we prepared the fiscal 2016 Service Plan. We prepared the results and budget using Canadian public sector accounting standards.

The fiscal 2016 budget assumptions reflect our planned actions given our judgment as to the most probable set of economic conditions as of January 8, 2015, the date that we prepared the fiscal 2016 Service Plan.

On April 16, 2015, governments deferred the Cooperative System launch target from October 2015 to fall 2016. On launch, the BCSC is expected to merge with other participating jurisdictions and cease to exist. We will reflect, in subsequent reports, the financial impact of the Cooperative System launch deferral.

Actual results achieved for fiscal 2016 will vary from the information presented and those variations may be material.

Management Discussion & Analysis

For the Year Ended March 31, 2015

Financial Resource Summary

(millions)	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Budget 2015	Actual 2015	Positive (negative) vs Budget	Positive (negative) vs 2014	Budget 2016
Revenue										
Local filing fees	$ 30.8	$ 33.5	$ 34.9	$ 34.2	$ 37.2	$ 36.7	$ 36.9	$ 0.1	$ (0.3)	$ 40.2
Other Local revenue	0.6	1.4	2.0	3.2	1.3	1.3	1.8	0.5	0.4	1.8
National filing systems revenues	–	–	–	–	36.6	6.3	6.8	0.5	(29.8)	6.9
	$ 31.4	$ 34.9	$ 36.9	$ 37.4	$ 75.1	$ 44.3	$ 45.4	$ 1.1	$ (29.7)	$ 48.9
Expenses										
Local salaries and benefits	$ 23.1	$ 23.5	$ 25.9	$ 27.0	$ 28.8	$ 29.8	$ 30.8	$ (1.1)	$ (2.0)	$ 31.9
Other Local expenses	7.8	7.7	10.3	11.5	12.0	13.7	11.0	2 .7	1.1	11.9
National filing systems expenses	–	–	–	–	7.6	2.6	3.5	(0.9)	4.1	3.9
	$ 30.8	$ 31.2	$ 36.2	$ 38.5	$ 48.5	$ 46.0	$ 45.3	$ 0.7	$ 3.2	$ 47.7
Surplus / (deficit)	$ 0.6	$ 3.7	$ 0.6	$ (1.1)	$ 26.6	$ (1.7)	$ 0.1	$ 1.8	$ (26.5)	$ 1 .2
Unrestricted surplus	$ 28.3	$ 32.0	$ 33.6	$ 31.4	$ 28.8	$ 23.0	$ 26.0	$ 2.9	$ (2.8)	$ 25.3
Restricted surplus	–	–	–	–	28.9	31.2	32.2	1.0	3.3	34.9
Local capital expenditures	0.3	0.6	2.2	4.2	5.2	3.5	2.9	0.6	2.3	1.5
Partnership capital expenditures	–	–	–	–	0.2	–	0.2	(0.2)	–	3.9
Debt	–	–	–	–	–	–	–	–	–	–

Read the BCSC fiscal 2016 Service Plan for more information about our Financial Outlook.

Management Discussion & Analysis
For the Year Ended March 31, 2015

Compensation structure

We are accountable to the provincial legislature and the public through the Minister of Finance. Our compensation plan requires *Public Sector Employers' Council* approval.

The BCSC manages its compensation through effective internal governance policies and practices, including as follows:

- Our Audit and Human Resources committees comprised of only independent commissioners appointed by the Lieutenant Governor-in-Council
- The Audit Committee oversees the BCSC's annual budget and the Human Resources Committee oversees the design and administration of BCSC performance management and compensation practices
- Semi-annually, the Human Resources Committee reviews the chair's performance against her objectives. In consultation with the chair, the Human Resources Committee reviews the performance of other executives and senior managers
- The Human Resources Committee recommends, for board approval, the chair's compensation
- The chair and executive director consult the Human Resources Committee on the compensation of other executives and senior managers

Compensation philosophy

Our goal is median compensation. We strive to offer remuneration comparable to that offered by competing organizations. To remain competitive, we conduct salary surveys and propose adjustments when surveyed position salaries are significantly below the median. Like most of our competitors, our compensation plan includes performance-based salary increases.

Management Discussion & Analysis
For the Year Ended March 31, 2015

Fiscal 2015 compensation summary (in dollars)

Position	Name	Base	Pension	Other[1]	2015	2014	2013
Executive Commissioners							
Chair	Brenda M. Leong	$ 434,748	$ 46,714	$ 17,789	$ 499,251	$ 499,251	$ 499,251
Vice Chair	Nigel P. Cave[2]	329,516	–	10,484	340,000	28,022	–
Senior Management							
Executive Director	Paul Bourque	334,312	35,736	20,245	390,293	387,326	400,000
Director, Enforcement	Teresa Mitchell-Banks	241,967	25,643	16,214	283,824	286,048	114,446
Director, Corporate Finance	Peter Brady	226,623	23,966	17,421	268,010	268,729	99,410

Position[3]	Name	Fees		Other[4]	2015	2014	2013
Independent Commissioners							
Commissioner	Judith Downes	$ 140,100		$ 2,626	$ 142,726	$ 87,537	$ 8,541
Commissioner	Chris Farber	56,175		2,102	58,277	5,190	N/A
Commissioner	George C. Glover, Jr.	128,213		122	128,335	119,606	15,856
Commissioner	Audrey T. Ho	127,175		2,631	129,806	85,407	12,256
Commissioner	Gordon Holloway	68,575		2,598	71,173	59,666	N/A
Commissioner	Don Rowlatt	96,675		127	96,802	66,907	89,921
Commissioner	Suzanne K. Wiltshire	143,550		2,627	146,177	132,730	89,651
Retired Commissioners		4,500		8	4,508	47,200	223,215

Total Commissioner compensation is fees for all activities including attendance at meetings and hearings. Independent commissioner workloads increased in fiscal 2015. Commission panels heard more matters, the hearings took longer and there were more complex matters than in Fiscal 2014. In addition, the former vice chair retired in August 2014 and the orderly transition of his tribunal responsibilities to the incoming vice chair required additional support from the independent commissioners. Our Independent Commissioner compensation policy is located on the BCSC website.

1 Other includes long-term disability plan premiums, Canada Pension Plan premiums, parking and transit, extended health and dental plan premiums, professional membership fees, Medical Services Plan premiums, Employment Insurance premiums, Worksafe premiums, group life insurance premiums, and fitness reimbursements.

2 Appointed February 28, 2014.

3 These are part-time positions.

4 Other includes Canada Pension Plan premiums and Worksafe premiums.

Management's responsibility and certification

Management is responsible for ensuring that the financial statements and other financial information included in this annual report (Report) are complete and accurate. Management has prepared the financial statements according to Canadian public sector accounting standards (PSAS).

We certify that:

- We oversaw the design of internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with PSAS
- We directed the evaluation of the effectiveness of these internal controls over financial reporting (ICFR) and we are not aware of any ICFR gap that has or is likely to materially affect our ICFR
- We have reviewed the financial statements and other information in this Report
- We believe the Report reflects all material facts for the period it covers
- We do not believe the Report misstates any material fact

We believe that the financial statements and other financial information in the Report fairly present in all material respects the financial condition, results of operations and cash flows of the British Columbia Securities Commission (BCSC) as of the dates and for the periods presented. The preparation of financial statements necessarily involves the use of estimates, which have been made using careful judgment. It is possible that circumstances will cause actual results to differ. We do not believe it is likely that any differences will be material.

The Board is responsible for establishing prudent rules of business and staff conduct. It is the BCSC's policy to maintain the highest standards of ethics in all its activities. The BCSC has an employee conduct policy, including conflict of interest rules for employees and commissioners, to achieve those standards.

The Board is also responsible for ensuring that management fulfills its financial reporting and control responsibilities, and has appointed an independent Audit Committee to oversee the financial reporting process. The committee members are independent commissioners who do not participate in the day-to-day operations of the BCSC. The Audit Committee meets regularly throughout the year with management, the internal auditors and the external auditors to review the:

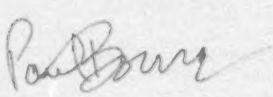
- financial statements,
- adequacy of financial reporting, accounting systems and controls, and
- internal and external audit functions.

The internal auditors are responsible for reviewing and evaluating the adequacy of and compliance with the BCSC's internal control standards. The internal auditors report the results of their reviews and make recommendations both to management and the Audit Committee. The external auditor's responsibility is to express an opinion on whether the financial statements, in all material respects, fairly present the BCSC's financial position, results of operations and cash flows in accordance with PSAS. The internal and external auditors have full and open access to the audit committee, with and without the presence of management.

The Audit Committee has reviewed these financial statements and has recommended that the Board approve them.

The BCSC has appointed BDO Canada LLP (BDO) to be the independent auditor of the Commission. BDO has examined the financial statements and its report follows.

Brenda M. Leong
Chair and Chief Executive Officer



Paul C. Bourque
Executive Director

BDO

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BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the British Columbia Securities Commission

We have audited the accompanying financial statements of the British Columbia Securities Commission, which comprise the Statement of Financial Position as at March 31, 2015, and the Statements of Operations and Change in Accumulated Surplus, Remeasurement Gains and Losses, Change in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of the British Columbia Securities Commission as at March 31, 2015 and its results of operations, changes in net financial assets, remeasurement gains and losses and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
May 7, 2015

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Statement of Financial Position
(audited)

	March 31, 2015	March 31, 2014
Financial assets		
Cash (note 4)	$ 13,016,690	$ 33,593,938
Restricted cash – 161(1)(g) payments (note 5)	131,781	–
Investments (note 6a)	44,102,667	23,878,013
Amounts receivable (note 7)	1,119,495	1,355,580
	$ 58,370,633	$ 58,827,531
Liabilities		
Accounts payable and accrued liabilities (note 8)	$ 1,705,188	$ 3,034,677
Accrued salaries	1,006,332	732,486
Deferred registration fee revenue	7,894,828	7,724,673
Employee leave liability (note 9)	825,339	888,547
161(1)(g) liabilities (note 5)	131,781	–
	$ 11,563,468	$ 12,380,383
Net financial assets	$ 46,807,165	$ 46,447,148
Tangible capital assets (note 10)	$ 11,122,693	$ 10,437,960
Prepaid expenses (note 11)	918,412	834,697
	$ 12,041,105	$ 11,272,657
Accumulated Surplus	$ 58,848,270	$ 57,719,805
Accumulated Surplus is comprised of:		
Unrestricted surplus (note 12)	$ 26,254,886	$ 29,395,436
Restricted surplus (note 12)	32,198,293	28,944,770
	58,453,179	58,340,206
Accumulated remeasurement gains (losses)	395,091	(620,401)
	$ 58,848,270	$ 57,719,805

Commitments and contingencies (note 18)

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Brenda M. Leong
Chair and Chief Executive Officer

Suzanne K. Wiltshire
Chair, Audit Committee

Statement of Operations and Change in Accumulated Surplus
(audited)

Year Ended	March 31, 2015 Budget (note 19)	March 31, 2015 Actual	March 31, 2014 Actual
Revenues			
Regulatory and other fees			
Prospectus and other distributions	$ 20,900,000	$ 20,519,116	$ 20,899,683
Registration	11,000,000	11,384,090	11,149,601
Financial filings	4,700,000	4,763,870	4,969,257
Exemptive orders and other (note 6b)	120,000	312,430	215,467
National filing systems access and usage fees (note 6b)	6,300,000	6,243,860	12,549,416
Enforcement sanctions (note 13)	500,000	1,026,813	677,077
Investment income (notes 6b, 14)	800,000	1,179,873	936,278
Realized gains (losses) on investments (note 14)	–	(27,587)	824
	$ 44,320,000	$ 45,402,465	$ 51,397,603
Expenses			
Local operations (note 15)	43,420,000	41,788,482	40,865,822
National filing systems operations (notes 6b, 15)	2,600,000	3,501,010	6,550,401
National filing systems transition costs (notes 6b, 15)	–	–	1,082,654
	$ 46,020,000	$ 45,289,492	$ 48,498,877
Surplus (deficit), before special item	$ (1,700,000)	$ 112,973	$ 2,898,726
Surplus on recognition of partnership (note 6 b)	–	–	23,702,690
Annual surplus (deficit)	$ (1,700,000)	$ 112,973	$ 26,601,416
Accumulated surplus, beginning of year		$ 58,340,206	$ 31,738,790
Accumulated surplus, end of year		$ 58,453,179	$ 58,340,206

The accompanying notes are an integral part of these financial statements.

Statement of Remeasurement Gains and Losses
(audited)

Year Ended	March 31, 2015	March 31, 2014
Accumulated remeasurement losses, beginning of year	$ (620,401)	$ (340,411)
Unrealized gain (loss) on investments (note 14)	987,905	(279,166)
Realized gain (loss) on investments, reclassified to operations (note 14)	27,587	(824)
Accumulated remeasurement gains (losses), end of year	$ 395,091	$ (620,401)

The accompanying notes are an integral part of these financial statements.

Statement of Change in Net Financial Assets
(audited)

Year Ended	March 31, 2015 Budget (note 19)	March 31, 2015 Actual	March 31, 2014 Actual
Surplus (deficit), for the year	$ (1,700,000)	$ 112,973	$ 26,601,416
Acquisition of tangible capital assets (note 10)	$ (3,516,516)	$ (3,145,809)	$ (5,428,225)
Amortization of tangible capital assets (note 10)	2,725,000	2,461,076	1,456,939
	$ (791,516)	$ (684,733)	$ (3,971,286)
Acquisition of prepaid expenses (note 11)		$ (852,570)	$ (1,459,746)
Use of prepaid expenses (note 11)		768,855	1,166,694
		$ (83,715)	$ (293,052)
Effect of net remeasurement gains (losses) for the year		$ 1,015,492	$ (279,990)
Increase in net financial assets, for the year		$ 360,018	$ 22,057,088
Net financial assets, beginning of year		$ 46,447,148	$ 24,390,060
Net financial assets, end of year		$ 46,807,165	$ 46,447,148

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows
(audited)

Year Ended	March 31, 2015	March 31, 2014
Operating transactions		
Cash received from:		
Fees (note 6b)	$ 43,522,878	$ 48,992,204
Enforcement sanctions (note 13)	1,147,123	862,553
Interest	443,124	412,143
	$ 45,113,125	$ 50,266,900
Cash paid for:		
Cash paid to and on behalf of employees (note 6b)	$ (30,608,500)	$ (31,086,317)
Cash paid to suppliers and others (note 6b)	(13,436,064)	(17,440,815)
	$ (44,044,564)	$ (48,527,132)
Cash provided by operating transactions	$ 1,068,561	$ 1,739,769
Capital transactions		
Cash used to acquire tangible capital assets (note 10)	$ (3,145,809)	$ (5,428,225)
Investing transactions		
Proceeds from disposals of investments	$ 9,000,000	$ 2,000,000
National filing systems partnership (note 6b)	–	23,702,690
Investments	(27,500,000)	(9,000,000)
	$ (18,500,000)	$ 16,702,690
Increase (decrease) in cash	$ (20,577,248)	$ 13,014,234
Cash, beginning of year	$ 33,593,938	$ 20,579,704
Cash, end of year	$ 13,016,690	$ 33,593,938

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

For Year Ended March 31, 2015
(audited)

1. Nature of operations

The British Columbia Securities Commission (BCSC) is a Crown corporation created by the Province of British Columbia on April 1, 1995. We are responsible for the administration of the *Securities Act*. As a Crown corporation, the BCSC is exempt from income taxes. We pay PST (7%) and GST (5%) on taxable purchases but recover the GST.

Effective April 2, 2013, the BCSC, the Alberta Securities Commission, Ontario Securities Commission, and the l'Autorité des marchés financiers (collectively, the Principal Administrators, or PAs), agreed with Investment Industry Regulatory Organization of Canada (IIROC), CDS Inc. (CDS) and CGI Information Systems and Management Consultants Inc. (CGI) to consolidate national electronic filing systems governance under the PAs and transition systems management from CDS to CGI during fiscal 2014. Under the arrangements, each of the four PAs has one vote on national electronic filing systems matters. This arrangement is a government partnership under Public Sector Accounting Standards (PSAS). Accordingly, these financial statements include 25% of the assets, liabilities, net assets, revenues and expenses of the Partnership, effective April 2, 2013. On recognition of the Partnership at April 2, 2013, BCSC recorded 25% of the Partnership's opening surplus as a special item on the Statement of Operations and Change in Accumulated Surplus.

2. Significant accounting policies

Management has prepared these financial statements in accordance with PSAS using guidance developed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada. Significant accounting policies followed in the preparation of these financial statements are:

a) Interest in Partnership

We record the BCSC interest in the Partnership using proportionate consolidation, whereby we record our pro-rata share of each of the assets, liabilities, net assets, revenues and expenses of the Partnership.

b) Financial instruments

Our financial instruments include cash, restricted cash, investments, amounts receivable, accounts payable, accrued liabilities, accrued salaries, and 161(1)(g) liabilities. Under the *Securities Act*, we must invest any BCSC money that we receive, but do not immediately need, in investment pools that the British Columbia Investment Management Corporation (bcIMC), a BC government organization, administers. The Partnership's surplus cash and our restricted cash are on deposit with Schedule 1 chartered banks, earning interest at prime minus 1.75%.

Notes to the Financial Statements
For Year Ended March 31, 2015
(audited)

The Partnership's term deposits and guaranteed investment certificate (GIC) are held with credit unions and a Schedule 1 chartered bank in redeemable term deposits at fixed interest rates. The term deposits and GIC earn rates between 1.25% and 2.00%.

We account for all of our financial instruments on a fair value basis, as follows:
- We record cash, restricted cash, and investments at fair value (fair value measurement hierarchy level one – quoted market prices). We consider the fair value of our investments to be market value because they are highly liquid.
- We record all other financial instruments at cost, which approximates fair value, due to their short-term nature.

We recognize realized gains and losses in annual surplus/deficit, in the period that they arise. We record unrealized gains and losses separately in the statement of accumulated remeasurement gains / (losses). We reinvest any investment earnings in the portfolio and returns adjust the carrying value of the units we own.

c) 161(1)(g) payments
The Commission can order respondents to pay to the Commission money obtained as a result of contravening the *Securities Act*. If the Commission receives money under such an order, we must
- issue a press release
- post a notice on the BCSC website that we have collected money
- receive and consider applications for payment to eligible claimants from the money collected

We allocate funds to eligible claimants after adjudicating all claims, and retain any funds not disbursed after adjudicating all claims. We hold these funds in a segregated bank account where they earn interest at prime minus 1.75%.

d) Tangible capital assets
We record tangible capital assets at cost. We depreciate them using the straight-line method over their useful lives.

We estimate the useful lives of our tangible capital assets to be as follows:
- Information technology – five years
- Leasehold improvements – the remaining lease term to November 30, 2021
- Office furniture and equipment – ten years
- Partnership information technology – five years

Notes to the Financial Statements
For Year Ended March 31, 2015
(audited)

e) Prepaid expenses
Prepaid expenses include calendar year registration processing fees and prepaid IT hardware and software maintenance. We charge prepaid expenses to expense over the periods of expected benefit.

f) Revenue recognition
We accrue prospectus and other statutory filing fees when filings are made and collectibility is assured. The amounts due and their collectibility are normally determined simultaneously, as almost all filings are paid for immediately.

We receive registration fees in advance, so we defer and recognize them in revenue over the calendar year to which they relate.

We recognize enforcement sanctions when we determine they are collectible.

g) Expenses
We report expenses on an accrual basis. We expense the cost of all goods consumed and services received during the year.

h) Measurement uncertainty
PSAS require management to make estimates and assumptions for certain amounts disclosed in the financial statements.

In our financial statements, management has estimated the:
- portion of amounts receivable that we will collect
- useful lives of tangible capital assets
- value of the employee leave liability

Estimates reflect the best information available when we prepare the financial statements. We review estimates of employee leave liability annually. We review all other estimates on a quarterly basis.

Actual results may differ from these estimates. Any adjustments to these estimates will be recorded in the period that additional information becomes available.

3. Financial instruments
Cash and restricted cash consists of demand deposits held at Schedule 1 Canadian chartered banks.

Our investments are in units of bcIMC investment pools. Our investment policy allows us to buy units of the following bcIMC pooled funds:

Notes to the Financial Statements

For Year Ended March 31, 2015
(audited)

- Canadian Money Market Fund (ST1)
  Canadian money market investments with original maturities of less than 45 days
- Canadian Money Market Fund (ST2)
  Canadian money market investments with original maturities of less than 15 months
- Short Term Bond Fund
  Canadian federal and provincial government bonds and Canadian dollar fixed income securities that are insured or guaranteed by sovereign governments, and supranational debt securities, all maturing within five years
- Canadian Universe Bond Fund
  Canadian federal and provincial government bonds, Canadian dollar fixed income securities insured or guaranteed by sovereign governments, and investment-grade corporate debt securities, all maturing within 30 years

Our use of financial instruments to invest exposes us to the following risks:

- *Credit risk* – the possibility that an underlying issuer will default, by failing to repay principal and interest in a timely manner
- *Liquidity risk* – the possibility that we will not be able to sell our investments when we want
- *Market risk* – the possibility that our investments may decline over time because of economic changes or other events that affect large portions of the market
- *Interest rate risk* – the possibility that the value of our investments and the related investment returns will fluctuate over time because of interest rate changes

In management's opinion, our investments do not expose the BCSC to significant credit or material market risk because we invest in liquid, high quality money market instruments, government securities and investment-grade corporate debt securities. Liquidity risk is low because our investments are in pooled fund units redeemable within two weeks, without penalty. The underlying assets in the pool are also highly liquid.

Our investments expose the BCSC to interest rate risk. The fair value of our investments in longer-term fixed rate securities fluctuates significantly with changes in interest rates. Based on the March 31, 2015 composition of our investment portfolio, an immediate 1% increase in interest rates across the entire yield curve, with all other variables held constant, would result in a decrease in market value of approximately $1.3 million. In addition, future investment income earned on variable rate cash deposits and maturing fixed rate securities would increase after an interest rate increase. We expect interest rates to rise slightly, if at all, over the coming year. We manage interest rate risk by monitoring portfolio duration and yields with the fund administrator, bcIMC. The current investment duration of the ST2 Fund is 0.3 years and of the Canadian Universe Bond Fund is 7.8 years.

Notes to the Financial Statements
For Year Ended March 31, 2015
(audited)

In management's opinion, amounts receivable, accounts payable and accrued liabilities and accrued salaries do not expose us to significant financial risk because of their short-term nature.

4. Cash
Cash is demand deposits, as follows:

	March 31, 2015	March 31, 2014
Operating cash	$ 4,169,063	$ 5,567,474
Partnership cash	8,847,627	28,026,464
	$ 13,016,690	$ 33,593,938

5. Restricted cash – 161(1)(g) payments and 161(1)(g) liabilities
During fiscal 2015, we received $0.1M (fiscal 2014 – nil) under 161(1)(g) orders related to the following case:

Case Name	Date of Notice	Amount of money received
Canada Pacific Consulting Inc. and Michael Robert Shantz	March 19, 2015	$ 131,781.34

6. Investments
a) bcIMC and national filing system investments
Investments are carried at fair value, and consist of:

	March 31, 2015		March 31, 2014	
	Market Value	Cost	Market Value	Cost
bcIMC pooled funds				
Short Term 2 Fund	$ 5,073,118	$ 5,076,033	$ 7,037,423	$ 7,038,126
Canadian Universe Bond Fund	16,529,549	16,131,544	16,840,590	17,460,288
	$ 21,602,667	$ 21,207,577	$ 23,878,013	$ 24,498,414
National filing systems partnership				
1 year term deposit	$ 16,250,000	$ 16,250,000	$ –	$ –
1 year GIC	6,250,000	6,250,000	–	–
	$ 22,500,000	$ 22,500,000	$ –	$ –
	$ 44,102,667	$ 43,707,577	$ 23,878,013	$ 24,498,414

bcIMC investment distributions, net of management fees, are reinvested in the portfolio and adjust the carrying value of the units we own.

Notes to the Financial Statements
For Year Ended March 31, 2015
(audited)

b) National filing systems partnership

Summarized statements of financial position, operations and cash flows as at March 31, 2015, and for the period then ended, are as follows:

	March 31, 2015		March 31, 2014	
	Partnership	25% share	Partnership	25% share
Financial Position				
Financial assets	$ 129,066,938	$ 32,266,735	$ 116,339,888	$ 29,050,770
Liabilities	1,673,941	418,485	1,269,142	317,286
Net Financial assets	$ 127,392,997	$ 31,848,249	$ 115,070,746	$ 28,767,687
Non-financial assets	1,400,176	350,044	708,333	177,083
Accumulated surplus	$ 128,793,173	$ 32,198,293	$ 115,779,079	$ 28,944,770
Operations				
Revenue	$ 27,018,131	$ 6,754,533	$ 51,500,538	$ 12,875,135
Operating expenses	13,910,550	3,501,008	26,201,607	6,584,604
Systems transition expenses	–	–	4,330,614	1,082,654
Surplus	$ 13,107,581	$ 3,276,895	$ 20,968,317	$ 5,242,079
Cash flows				
Cash provided by (used in):				
Operating	$ (13,107,581)	$ (3,276,895)	$ (20,968,317)	$ (5,242,079)
Capital	961,824	240,456	750,000	187,500
Investing	(64,569,589)	(16,142,397)	135,997,396	33,999,349
Increase (decrease) in cash	$ (76,715,346)	$ (19,178,837)	$ 115,779,079	$ 28,944,770

Notes to the Financial Statements

For Year Ended March 31, 2015
(audited)

7. Amounts receivable

Amounts receivable consists of:

	March 31, 2015	March 31, 2014
National filing systems fees	$ 750,880	$ 745,942
Enforcement sanctions (note 13)	95,834	216,143
Late insider report filing fees	18,000	32,400
Due from CSTO (a)	80,530	94,325
National project recoveries (b)	21,631	102,605
GST rebates	104,673	87,152
Employee advances and other	47,947	77,013
	$ 1,119,495	$ 1,355,580

(a) We seconded employees to, and provide technology and accounting support to, the Canadian Securities Regulatory Regime Transition Office (CSTO) on a cost recovery basis. The balance reflects cost recoveries due from the CSTO.

(b) We incur IT costs on behalf of the Partnership. The balance reflects cost recoveries due from the other partners.

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consists of:

	March 31, 2015	March 31, 2014
Trade accounts payable	$ 1,241,332	$ 2,705,875
National filing systems fees	418,485	282,899
CSA payables	45,000	45,000
Other	371	903
	$ 1,705,188	$ 3,034,677

9. Employee leave liability

Employee leave liability is what we owe to our employees for their accumulated vacation time and other leave entitlements not yet taken.

Notes to the Financial Statements
For Year Ended March 31, 2015
(audited)

10. Tangible capital assets
Tangible capital assets consists of:

	March 31, 2015				
	Information technology	Leasehold improvements	Office furniture and equipment	Partnership Information technology	Total
Cost					
Opening balance	$ 12,071,220	$ 5,441,510	$ 2,740,383	$ 187,500	$ 20,440,613
Additions	1,972,920	708,156	224,277	240,456	3,145,809
Disposals	(576,913)	(225,243)	(43,900)	–	(846,056)
Write-downs	–	–	–	–	–
Closing balance	$ 13,467,227	$ 5,924,423	$ 2,920,760	$ 427,956	$ 22,740,366
Accumulated amortization					
Opening balance	$ 3,820,052	$ 3,934,526	$ 2,237,658	$ 10,417	$ 10,002,653
Amortization	2,084,150	234,054	75,377	67,495	2,461,076
Disposals	(576,913)	(208,634)	(43,900)	–	(829,447)
Write-downs	–	(16,609)	–	–	(16,609)
Closing balance	5,327,289	3,943,337	2,269,135	77,912	11,617,673
Net book value	$ 8,139,939	$ 1,981,086	$ 651,625	$ 350,044	$ 11,122,693

	March 31, 2014				
	Information technology	Leasehold improvements	Office furniture and equipment	Partnership Information technology	Total
Cost					
Opening balance	$ 7,754,359	$ 4,821,394	$ 2,436,635	$ –	$ 15,012,388
Additions	4,316,861	620,116	303,748	187,500	5,428,225
Disposals	–	–	–	–	–
Write-downs	–	–	–	–	–
Closing balance	$ 12,071,220	$ 5,441,510	$ 2,740,383	$ 187,500	$ 20,440,613
Accumulated amortization					
Opening balance	$ 2,535,821	$ 3,818,485	$ 2,191,408	$ –	$ 8,545,714
Amortization	1,284,231	116,041	46,250	10,417	1,456,939
Disposals	–	–	–	–	–
Write-downs	–	–	–	–	–
Closing balance	3,820,052	3,934,526	2,237,658	10,417	10,002,653
Net book value	$ 8,251,168	$ 1,506,984	$ 502,725	$ 177,083	$ 10,437,960

Notes to the Financial Statements

For Year Ended March 31, 2015
(audited)

11. Prepaid expenses

Prepaid expenses consists of:

	March 31, 2015	March 31, 2014
IIROC registration processing fees	$ 295,320	$ 295,294
National filing systems prepaid contracts	168,227	312,567
Hardware and software maintenance contracts	454,865	226,836
	$ 918,412	$ 834,697

12. Accumulated surplus

	March 31, 2015			
	General	Education (a)	National systems (b)	Total
Opening balance	$ 29,395,436	$ –	$ 28,944,770	$ 58,340,206
Additions and appropriations	(4,167,363)	1,026,813	3,253,523	112,973
Investment income allocation	–	–	–	–
Education disbursements paid from reserve	727,814	(727,814)	–	–
Closing balance	$ 25,955,887	$ 298,999	$ 32,198,293	$ 58,453,179

	March 31, 2014			
	General	Education (a)	National systems (b)	Total
Opening balance	$ 31,190,866	$ 547,924	$ –	$ 31,738,790
Additions and appropriations	(3,020,431)	677,077	28,944,770	26,601,416
Investment income allocation	–	–	–	–
Education disbursements paid from reserve	1,225,001	(1,225,001)	–	–
Closing balance	$ 29,395,436	$ –	$ 28,944,770	$ 58,340,206

Notes to the Financial Statements
For Year Ended March 31, 2015
(audited)

a) Education reserve (internally-restricted)
We order administrative penalties and 161(1)(g) payments under the *Securities Act*. We also negotiate settlement amounts. We designate revenue from penalties, settlements, and unclaimed 161(1)(g) payments to our Education reserve, which we spend only to educate securities market participants and the public about investing, financial matters or the operation or regulation of securities markets.

b) National systems (restricted)
Canadian Securities Administrators (CSA) jurisdictions share an undivided interest in Partnership surpluses. The Partnership agreement specifies that the Partnership will use these systems' surpluses only for the benefit of national filing systems users.

13. Enforcement sanctions
Enforcement sanctions include administrative penalties, settlements and unclaimed 161(1)(g) payments, if any. Revenues depend on the timing of enforcement actions completed during the year and on our ability to collect assessed amounts.

We assessed enforcement sanctions of $172.0 million (fiscal 2014 – $2.5 million) during the year, of which we did not recognize $171.0 million (fiscal 2014 – $1.9 million) as revenue because we do not expect to receive payment.

Collecting enforcement sanctions is difficult because respondents often have limited assets, poor credit or have left British Columbia. We pursue outstanding amounts as appropriate, to maximize sanction receipts, net of collection costs.

Notes to the Financial Statements

For Year Ended March 31, 2015
(audited)

14. Investment income

Financial and real returns related to financial assets are as follows:

	For the Year Ended March 31, 2015					
	Average Balance	Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Annualized Return
Cash	$ 36,725,095	$ 443,123	$ –	$ 443,123	$ –	1.2%
Disgorgement received	131,781	–	–	–	–	0.0%
Pooled Canadian Money Market Fund (ST2)	3,907,601	41,626	–	41,626	(2,914)	1.0%
Short Term Bond Fund (STB)	–	–	(27,587)	(27,587)	–	0.0%
Cdn Universe Bond Fund	16,859,747	695,124	–	695,124	990,819	10.0%
	$ 57,624,224	$ 1,179,873	$ (27,587)	$ 1,152,286	$ 987,905	3.7%

	For the Year Ended March 31, 2014					
	Average Balance	Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Annualized Return
Cash	$ 45,831,454	$ 412,143	$ –	$ 412,143	$ –	0.9%
Pooled Canadian Money Market Fund (ST2)	3,010,254	37,303	824	38,127	(703)	0.0%
Short Term Bond Fund (STB)	–	–	–	–	–	0.0%
Cdn Universe Bond Fund	16,495,436	486,832	–	486,832	(278,463)	1.3%
	$ 65,337,144	$ 936,278	$ 824	$ 937,102	$ (279,166)	1.0%

Notes to the Financial Statements
For Year Ended March 31, 2015
(audited)

15. Expenses by object

	Year ended March 31		
	Budget	2015	2014
Local operations			
Salaries and benefits	$ 29,750,000	$ 30,820,677	$ 28,817,138
Professional services	3,950,000	1,954,676	2,378,331
Occupancy	3,040,000	3,046,399	3,066,164
Amortization	2,725,000	2,393,581	1,446,522
Information management	1,290,000	1,312,676	1,163,288
Education disbursements	800,000	727,814	2,167,923
External communication	230,000	171,806	386,210
Administration	640,000	531,840	562,311
Staff training	510,000	457,841	469,113
Travel	330,000	226,297	237,322
Telecommunications	155,000	144,875	171,500
Total local operations	$ 43,420,000	$ 41,788,482	$ 40,865,822
National filing systems operations			
Salaries and benefits	$ 542,327	$ 635,652	$ 601,558
Occupancy	–	–	$ 45,041
Professional services	1,959,457	2,703,111	1,511,786
Amortization	46,592	67,495	10,417
Information management	–	94,753	5,464,253
Administration	51,624	–	–
Total National filing systems operations	$ 2,600,000	$ 3,501,010	$ 7,633,055
	$ 46,020,000	$ 45,289,492	$ 48,498,877

16. Related party transactions
We are related through common ownership to all BC provincial government ministries, agencies and Crown corporations. We conducted all transactions with these entities as though we were unrelated parties.

Notes to the Financial Statements
For Year Ended March 31, 2015
(audited)

17. Post-retirement employee benefits
We, and our employees, contribute to the Public Service Pension Plan, a multi-employer plan. The plan is contributory, and its basic benefits are defined. The plan has about 52,000 active members and approximately 36,000 retired members. A board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of assets and administration of benefits.

An actuarial valuation of the plan performed every three years assesses the plan's financial position. The latest valuation, as at March 31, 2014, indicated a $194 million surplus for basic pension benefits. In addition to basic benefits, the plan also provides supplementary benefits, including inflation indexing. These supplementary benefits are paid only to the extent that they have been funded, which is currently done on a "pay-as-you-go" basis. The next scheduled valuation is scheduled for March 31, 2017 and the results will be announced in 2018.

The plan trustees monitor the impact of the financial environment on plan health. Plan surpluses and deficits are not attributable to individual employers, but affect future contribution levels. We charged $2.5 million to expense for employer contributions during the period (fiscal 2014 – $2.4 million).

18. Commitments and contingencies
a) Office and equipment leases
We have lease agreements for office space and equipment. Our total lease commitments as at March 31, 2015 are $21.6 million (fiscal 2014 – $24.6 million)

	2016	2017-2018	2019-2020	2021-2022	Total
Leased space and equipment	$ 3,094,762	$ 6,330,692	$ 6,525,862	$ 5,644,808	$ 21,596,123

Notes to the Financial Statements
For Year Ended March 31, 2015
(audited)

b) National electronic filing systems

The CSA is an umbrella organization of Canada's ten provincial and three territorial securities regulators, whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The Partnership oversees several national electronic filing systems, on behalf of the CSA.

The PAs govern the systems, under agreements with the other CSA members. The CSA Chief Information Officer manages vendors and systems architecture. The OSC manages funds and accounting. The ASC manages intellectual property, filer agreements, and data dissemination agreements. The Partnership contracted CGI to provide IT services, to January 13, 2019.

We collect about 90% of our fee revenue through the filing systems. CGI maintains a comprehensive business continuity plan for each system.

The Partnership charges user fees to recover systems development and operating costs, and the CSA jurisdictions share an undivided interest in the systems and related surpluses. As at March 31, 2015, the Partnership's accumulated surpluses totalled $128.8 million. The Partnership has agreed to use these surpluses only for the benefit of national filing systems users.

19. Budgeted figures

Budgeted figures are for comparison purposes and flow from the BCSC fiscal 2015 Service Plan.

Appendix: Additional Information

Please refer to the following links for additional information about the BCSC:

Organizational Overview

- Enabling statute
- Mandate provided in enabling statute, vision, values, and overall benefit
- Organizational Chart with links to BCSC's business areas
- BCSC Stakeholders and Partners
- The location of BCSC's operations

Corporate Governance

- BCSC's governance policy, and the role of the Board of Directors and of each Board Committee
- Membership list of the Board of Directors
- Membership list of each Board Committee
- Organizational Chart with links to names and job titles of senior management
- Key accountability relationships with Ministers, ministries, and any other significant reporting relationships

Frequently Used Terms

- BC: British Columbia
- BCSC or Commission: British Columbia Securities Commission
- Cooperative System: Cooperative Capital Markets Regulatory System
- CSA: Canadian Securities Administrators
    - The council of securities regulators of Canada's 13 provinces and territories
- GLE: Government's Letter of Expectation
- National Mining Rule: National Instrument 43-101 *Standards of Disclosure for Mineral Projects*
- NI: National Instrument
    - A document that sets out uniform rules to govern the national securities market, and deals with various regulatory matters
- NRD: National Registration Database
    - The CSA's national web-based system that permits individuals who are dealers or advisers to file registration forms electronically
- SEDAR: System for Electronic Document Analysis and Retrieval
    - The CSA's national electronic filing system for disclosure by public companies and mutual funds
- SEDI: System for Electronic Disclosure by Insiders
    - The CSA's national web-based system that facilitates the filing and public dissemination of "insider reports"
- TAP: Taxpayer Accountability Principles